COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON OVERSIGHT
HEARING ON THE INTERNAL REVENUE SERVICE'S COLLEGES AND UNIVERSITIES COMPLIANCE PROJECT FINAL REPORT

Wednesday, May 8, 2013

QUESTIONS FOR THE RECORD

Rep. Kenny Marchant:

The report says that the IRS made over 180 adjustments to institutions' unrelated taxable income due to misreporting of income and losses. The majority of the adjustments came from sources like advertising, facility rentals, golf courses, and arenas. What income was being offset by losses from these operations is question one, and can you give us some specific examples of that?

Internal Revenue Service response:

On the Form 990-T tax return, gains and losses are aggregated to calculate the total or net unrelated business taxable income (UBTI). Therefore, it is not possible to identify the specific activities that generated the income offset by losses on the return itself. In the examinations, we did obtain more detailed information. As explained in the Final Report, the IRS disallowed losses on the Form 990-Ts of 70 percent of colleges and universities examined because the claimed activity had generated sustained losses over a number of years, i.e., the organization lacked a profit motive for engaging in the claimed activity. We looked at the specific activities generating income at about two-thirds of these colleges and universities and found that the following activities generated income that was offset by losses from golf course, arena and hotel operations: Advertising, Campus Printing Services, Facility Rentals, Hotels, Oil and Gas Partnerships, Parking lots, Partnerships, Pharmacy Sales, Sports Management and Exclusive Provider Arrangements, and Television Advertising.